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September 14, 2010

AGENDA ITEM 4a

TO: MEMBERS OF THE BENEFITS AND PROGRAM ADMINISTRATION COMMITTEE

- I. SUBJECT:** Board Member Elections Process – Plurality and Instant Runoff Voting (IRV) Systems
- II. PROGRAM:** Administration
- III. RECOMMENDATION:** Information Only
- IV. ANALYSIS:**

Background

At the Benefits and Program Administration Committee (BPAC) meeting in February 2010, the Operations Support Services Division was directed to look into two other voting methods, plurality voting and Instant Runoff Voting (IRV) and to determine what it would take to implement IRV for the Board Member elections. The CalPERS Board of Administration (Board) wanted to evaluate if the IRV method would eliminate the need for a runoff and save the cost associated with conducting a runoff election.

Plurality Voting

The plurality voting system is a single-winner voting system used to elect Executive Officers (such as Governor or President of the United States), or to elect members of a legislative assembly which is based on single-member constituencies.

Prior to 2005, CalPERS Board Members were elected by a plurality vote, i.e., the candidate who received the most votes, regardless of percentage, was certified elected. In 2001, a regulation was adopted to change this process to require a majority voting process, and in 2005, the regulation was implemented. Since the regulation change, candidates running for the CalPERS Board of Administration must receive a majority vote (50 percent of votes cast plus one) to be elected. In the event that no candidate for a position receives a majority of votes in the first election, a runoff election must be conducted between the two candidates who receive the highest number of votes. All CalPERS election results must be certified by the Secretary of State.

Since 2005, there have been 11 Board Member seats up for election. The results of those elections are summarized in Attachment A (Board Election Results Since Implementation of Majority Vote). These results show that only three elections required a runoff election, and in all three of those runoff elections, the candidate who received the most votes in the first election won the runoff election. The aggregate cost for the three runoff elections was \$2,446,699.

Research findings related to other organizations, or voting jurisdictions, related to plurality voting produced the following information:

- On May 16, 2005 CalPERS and CalSTRS introduced Senate Bill 1207, which established as a default the use of majority (rather than plurality) voting to elect a member of the board of directors of a publicly-traded, California corporation, in an uncontested election.
- In a 2006 CalPERS nationwide survey of public employee retirement system organizations, 78 percent of the responding organizations stated they used plurality vote to elect their Board Members.

Instant Runoff Voting (IRV)/Ranked Choice Voting (RCV)

As stated previously, all CalPERS elections must be certified by the Secretary of State. Prior to December 2009, no IRV system was certified by the Secretary of State for elections in the State of California. On December 4, 2009, the Secretary of State certified the Sequoia Voting Systems' 4.0 Voting System for use in "Ranked Choice Voting (RCV) elections, using the Ranked Choice Voting rules in the Charter of the City and County of San Francisco". This is presently the only IRV/RCV system certified by the Secretary of State for elections in the State of California. Sequoia (now owned by Dominion Voting) is the only vendor selling a system with this logic in the United States. Any variation to the terms of this certification would require that the "modified" system go through the Secretary of State process to be certified before implementation.

For CalPERS to implement IRV/RCV elections, the following is required for the Secretary of State to certify a CalPERS IRV/RCV election:

- An Administrative Approval document from Secretary of State
- Development of a Voter Education and Outreach program approved by the Secretary of State
- Full conformation to the December 4, 2009, Secretary of State certification

Table 1 provides a cost comparison of the actual expenditures, provided by the current CalPERS board election contractors, for the 2009 Member-At-Large (MAL) election, and the projected IRV/RCV expenditures provided by both Dominion Voting and the current CalPERS board election contractors. Please note the table does not include election costs for miscellaneous products and services which would not be impacted by the implementation of IRV/RCV.

Table 1 – Board Election Material, Services, and Postage Cost Comparison

Election Products and Services	Actual Cost: 2009 MAL – First Election	Actual Cost: 2009 MAL – Runoff Election	Estimated Cost: MAL – IRV/RCV Election	Cost Difference: Actual 2009 MAL – First Election and Estimated IRV/RCV
Ballot cards 1,314,000	\$93,000	\$93,000	\$500,141	\$407,141
1,275,000 Candidate booklets, envelopes, and IRV/RCV voter instructions*	\$684,489	\$464,209	\$1,041,489 to 1,576,989 <i>NOTE: This range includes the estimated cost between \$102,000 (\$.08 each) and \$637,500 (\$.50 each) for an IRV/RCV brochure.</i>	\$357,000 to \$892,500 <i>NOTE: This range includes the estimated cost between \$102,000 (\$.08 each) and \$637,500 (\$.50 each) for an IRV/RCV brochure.</i>
Outgoing ballot mailing postage for 1,275,000 packages	\$686,033	\$364,488	\$1,081,283	\$395,250
Postage for return ballot mailing	\$103,739	\$85,000	\$103,739	No change
IRV/RCV ballot card scoring and folding	\$0.00	\$0.00	\$50,000	\$50,000
Ballot card shipping	\$9,000	\$9,000	\$57,000 (IRV/RCV ballots 6.32 times heavier than present ballot cards)	\$48,000
Storage, labor, and tabulation	\$59,000	\$38,000	\$230,000	\$171,000
TOTAL COST	\$1,635,261	\$1,053,697	\$3,063,652 to \$3,599,152	\$1,428,391 to \$1,963,891

* In order to certify an IRV/RCV election, the Secretary of State requires specific IRV/RCV member voter education (yet to be determined). These costs are estimates for voter education.

The actual total cost for the first 2009 MAL election was \$2,028,940. The actual total cost for the runoff election was \$1,095,947, which includes the miscellaneous products and services for both 2009 elections not compared in Table 1. Had there not been a need for a runoff election, all projected activities and costs associated with a runoff election would have been cancelled and the budgeted funds for a runoff election disencumbered.

As a comparison, in the case of the first 2009 MAL election, the projected additional cost to conduct an IRV/RCV election is about \$1.4 to \$1.9 million. These up-front fixed election costs would be incurred whether a runoff election was necessary or not.

In addition to the higher up-front fixed election costs to conduct IRV/RCV elections, the Secretary of State also indicated this voting system is difficult for some voters to understand and any IRV/RCV optical scan system will take longer to tabulate results than a standard optical card system (such as the one currently used by CalPERS).

Also, in documentation submitted to the Secretary of State related to its certified 4.0 System, Sequoia states: *In some implementations, a winner may be declared with less than a majority of ballots cast, based on a plurality in the last round.*

If the Board decides to proceed with either option, board election regulation changes are necessary to implement the chosen option.

V. STRATEGIC PLAN:

This item is not a specific part of the Strategic Plan, but is part of the regular and ongoing workload of the Operations Support Services Division.

VI. RESULTS/COSTS:

Plurality voting would eliminate all costs related to runoff elections.

Currently, runoff elections are the only way to ensure that a majority vote winner (50 percent of votes cast plus one) is elected in non-majority vote first elections. In the event a majority winner is determined in the first election, all projected activities and costs associated with a runoff election are cancelled and the funds for a runoff election are disencumbered.

Under the current system certified by the Secretary of State, the IRV/RCV election process will result in higher costs for CalPERS to conduct the Board member elections. The IRV/RCV election process does not always ensure a majority vote winner (50 percent of votes cast plus one) in every election due to

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the logic and methodology used to compute the winner. Additionally, there would be up-front fixed costs for each election, regardless of whether or not the first election had a majority vote winner.

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Attachment